

CITY OF SIBLEY, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2007

EAST, VANDER WOUDE, GRANT & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS
707 West 11th Street
Sioux Falls, SD 57104

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CITY OF SIBLEY, IOWA

OFFICIALS

NAME	TITLE	TERM EXPIRES
Jerry Johnson	Mayor	January 1, 2008
Larry Pedley	Mayor Pro tem	January 1, 2010
Dan Janssen	Council Member	January 1, 2008
Vicky Plotz Van Westen	Council Member	January 1, 2010
Richard Mataloni	Council Member	January 1, 2008
Mike Schulte	Council Member	January 1, 2010
S L. Martin	Administrator	December 31, 2008
Dianne Gruis	Clerk/Treasurer	Indefinite
Harold D. Dawson	Attorney	Indefinite

Paul T. East, CPA
Paul W. Vander Woude, CPA
Rose M. Grant, CPA, MST

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
Sibley, Iowa:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Sibley, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Sibley's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which are a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Sibley as of June 30, 2007, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our reports dated October 26, 2007 on our consideration of the City of Sibley's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 11 and 32 through 34 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We

applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Sibley's basic financial statements. The previous audits were not done by this office, but were in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

East, Vander Woude, Grant & Co., P.C.

East, Vander Woude, Grant & Co., P.C.

October 26, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Sibley provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 8.8%, or approximately \$200,000, from fiscal 2006 to fiscal 2007. Property tax increased approximately \$37,000 and bond proceeds decreased \$230,000.
- Disbursements decreased 23.0%, or approximately \$559,000, in fiscal 2007 from fiscal 2006. Public works disbursements decreased approximately \$427,000, community and economic development increased approximately \$90,000, and capital projects decreased approximately \$239,000.
- The City's total cash basis net assets increased 83.1%, or approximately \$1,414,000, from June 30, 2006 to June 30, 2007. Of this amount, the assets of the governmental activities increased approximately \$201,000 and the assets of the business type activities increased by approximately \$1,213,000 of which \$1,010,000 is from the Revenue Bonds sold May 30, 2007 for the City's share of the Lewis and Clark Rural Water System.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets – Cash Basis. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the

financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets – Cash Basis reports information which helps answer this question.

The Statement of Activities and Net Assets – Cash Basis presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets – Cash Basis is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the electric, garbage, water, sanitary sewer system, transit service and golf course. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds and for the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains fifteen Enterprise Funds to provide separate information for the electric, garbage, water, sanitary sewer system, transit service and golf course funds. Electric, water and golf funds are considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

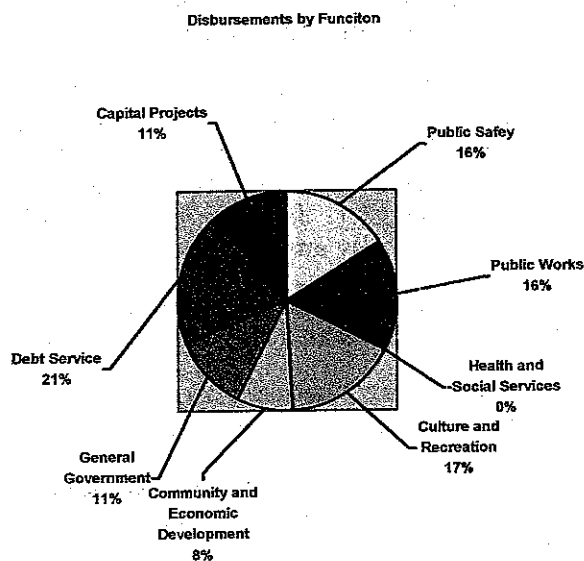
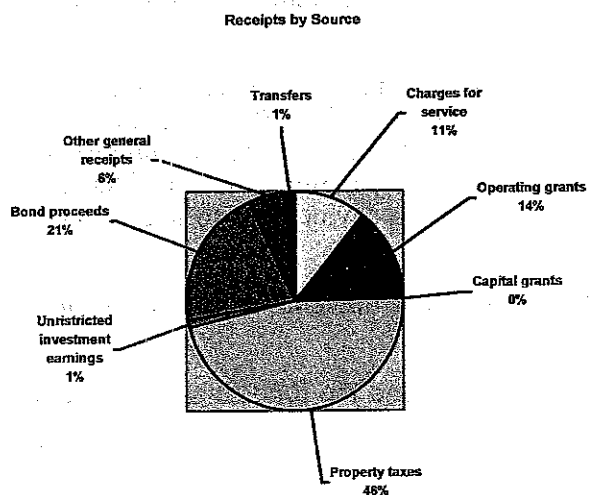
Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$(325,720) to

\$(124,830). The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2007	2006
Receipts and transfer:		
Program receipts:		
Charges for service	\$ 227	\$ 206
Operating grants, contributions and restricted interest	287	386
Capital grants, contributions and restricted interest	-	1
General receipts:		
Property tax	961	924
Local option sales tax	-	-
Grants and contributions not restricted to specific purposes	-	-
Unrestricted investment earnings	24	14
Bond proceeds	430	660
Other general receipts	117	82
Transfers, net	28	1
Total receipts and transfers	2,074	2,274
Disbursements:		
Public safety	300	267
Public works	308	735
Health and social services	2	2
Culture and recreation	311	341
Community and economic development	153	63
General government	212	209
Debt service	375	364
Capital projects	212	451
Total disbursements	1,873	2,432
Increase (decrease) in cash basis net assets	201	(158)
Cash basis net assets beginning of year	(326)	(168)
Cash basis net assets end of year	\$ (125)	\$ (326)



The City's total receipts for governmental activities decreased by 8.8%, from approximately \$2.274 million to \$2.074 million in 2007. The total cost of all programs and services decreased by approximately \$559,000, or 23.0%, with no new programs added this year. The significant decrease in receipts was primarily the result of less bond proceeds issued during the year.

The City increased property tax rates for 2007 by 3.5% and for 2008 tax rate increase of 7.4%. This increased the City's property tax receipts by approximately \$37,000 in 2007. Based on increases in the total assessed valuation and tax rates, property tax receipts are budgeted to increase by \$58,000 in the next year.

The cost of all governmental activities this year was \$1,872,720 compared to \$2,431,306 last year. However, as shown in the Statement of Activities and Net Assets – Cash Basis on pages 14-15, the amount taxpayers ultimately financed for these activities was only \$1,359,170 because some of the cost was paid by those directly benefited from the programs (\$226,736) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$286,814). The City paid for the remaining "public benefit" portion of governmental activities with approximately \$960,739 in tax (some of which could only be used for certain programs), interest, general entitlements and bonds of \$571,373.

Changes in Cash Basis Net Assets of Business Type Activities			
(Expressed in Thousands)			
	Year ended June 30,		
	2007	2006	
Receipts and transfer:			
Program receipts:			
Charges for service			
Electric	\$ 2,399	\$ 2,451	
Water	564	535	
Golf	161	194	
Other nonmajor	467	466	
General receipts:			
Unrestricted investment earnings	46	28	
Bond proceeds	1,010	-	
Total receipts	<u>4,647</u>	<u>3,674</u>	
Disbursements:			
Electric	1,999	1,861	
Water	413	492	
Golf	235	266	
Other nonmajor	759	819	
Transfers	28	1	
Total disbursements	<u>3,434</u>	<u>3,439</u>	
Increase (decrease) in cash basis net assets	1,213	235	
Cash basis net assets beginning of year	<u>2,027</u>	<u>1,792</u>	
Cash basis net assets end of year	<u>\$ 3,240</u>	<u>\$ 2,027</u>	

Total business type activities receipts for the fiscal year were \$4,647,529 compared to \$3,673,994 from last year. This increase was due primarily to the revenue bonds issued May 30, 2007 for the Lewis & Clark project of \$1,010,000. The cash balance increased by \$1,213,288 from the prior year because the bond proceeds received in May will not be spent until next fiscal year for the approved Lewis and Clark project. Total disbursements and transfers for the fiscal year decreased by \$4,111 from \$3,438,352 last year to a total of \$3,434,241 this year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As City of Sibley completed the year, its governmental funds reported a combined fund balance of \$(124,830), an increase of \$200,890 from last year's total of \$(325,720). The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$168,924 from the prior year to \$(1,487,709). This decrease was due to disbursements exceeding receipts during the fiscal year. The City intends to continue close monitoring of the disbursements to insure only necessary purchase is made while attempting to secure other sources of receipts.
- The Road Use Tax Fund cash balance increased by \$15,548 to \$207,417 during the fiscal year. This increase was attributable to increased receipts and decrease in disbursements during the fiscal year.
- The Urban Renewal Tax Increment Fund was established to account for urban renewal projects within the City's business district. At the end of the fiscal year, the cash balance was \$9,955, an increase of \$10,239 from the previous year. The increase was the result of more receipts received than disbursements paid.
- The Debt Service Fund cash balance decreased by \$1,341 to \$29,036 during the fiscal year. This decrease was due to more debt payments made during the year. Bond principal and interest payments increased by \$18,944 in fiscal 2007.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund combined with Lewis and Clark Fund cash balance increased by \$1,131,067 to \$1,195,643, due primarily to the \$1,010,000 in bonds issued May 30 and increase receipts during the year.
- The Electric Fund cash balance increased by \$40,230 to \$304,152, due primarily to closely monitoring the disbursements to insure only necessary purchases is made.
- The Golf Course Fund cash balance decreased by \$73,524 to \$(282,768), due primarily to disbursements exceeding receipts generated.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 14, 2007 and resulted in an increase in disbursements for public safety, public works, culture and recreation. The City's receipts were \$275,828 more than budgeted. This was primarily due to the City receiving more in charges for services than budgeted.

Even with the budget amendment, total disbursements were \$601,244 more than the amended budget. However, the actual disbursements for the public safety; public works; and culture and recreation were \$14,974, \$53,089, and \$3,657 respectively, less than the amended budget. The City exceeded the amounts budgeted in the general government; community and economic development; debt service; capital projects; and business type activities functions were \$40,184, \$140,498, \$161,631, \$264,381, and \$66,270 respectively, more than the amended budget.

DEBT ADMINISTRATION

At June 30, 2007, the City had \$4,197,790 in bonds and other long-term debt, compared to \$3,296,907 last year, as shown on the next page.

Outstanding Debt at Year-End (Expressed in Thousands)		
	June 30,	
	2007	2006
Capital Loan Notes	\$ 1,609,790	\$ 1,495,438
Revenue notes	2,588,000	1,773,000
Capital Leases	-	28,469
Total	<u>\$ 4,197,790</u>	<u>\$ 3,296,907</u>

The change in debt is a result of making payments of \$539,117 and the issuance of two bonds totaling \$1,440,000. The City continues to carry a general obligation bond rating of A3 assigned by national rating agencies to the City's debt since 1990. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$1,609,790 is significantly below its constitutional debt limit of \$2,470,972.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

City of Sibley's elected and appointed officials and citizens considered many factors when setting the fiscal year 2008 budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy. The City's employment growth has mirrored its population growth during 2001-2006, averaging per year gains of 2.2 percent. Unemployment in the City now stands at 3.8 percent, versus 3.7 percent a year ago. This compares with the State's unemployment rate of 3.5 percent and the national rate of 4.6 percent.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. The State's CPI increase was 3.2 percent for fiscal year 2007 compared with the national rate of 3.4 percent. Inflation has been modest here due in part to the slowing of the residential housing market and modest increases in energy prices in 2007.

These indicators were taken into account when adopting the budget for fiscal year 2008. Amounts available for appropriation in the operating budget are \$4.6 million, a decrease of 5.4% over the final 2007 budget. Budgeted disbursements are expected to increase approximately \$176,000 or 3.7%. Increases in wage and cost-of-living adjustments represent the largest increases. The City has added no major new programs or initiatives to the 2008 budget.

If these estimates are realized, the City's budgeted cash balance is expected to decrease by approximately \$281,000 by the close of 2008.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Dianne Gruis, City Clerk, 808 Third Ave., Sibley, Iowa, 51249.

City of Sibley, Iowa

Basic Financial Statements

City of Sibley, Iowa
Statement of Activities and Net Assets - Cash Basis
June 30, 2007

Functions/Programs	Disbursements	Charges for Service	Program Revenues	
			Operating Grants Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 300,415	\$ -	\$ -	\$ -
Public works	308,104		261,343	-
Health and social services	1,830	-	-	-
Culture and recreation	311,093	134,393	-	-
Community and economic development	153,328	-	-	-
General government	211,682	25,064	1,491	-
Debt service	374,491	-	-	300
Capital projects	211,777	67,279	23,680	-
Total governmental activities	1,872,720	226,736	286,514	300
Business type activities:				
Electric	1,999,065	2,399,205	-	-
Water / Lewis & Clark	413,208	563,669	-	-
Golf	234,643	161,119	-	-
Other nonmajor	759,377	466,864	-	-
Total business type activities	3,406,293	3,590,857	-	-
Total	5,279,013	3,817,593	286,514	300
General Receipts:				
Property tax levied for:				
General purposes				
Tax incremental financing				
Unrestricted interest on investment				
Bond proceeds				
Miscellaneous				
Sale of assets				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year, as restated				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted:				
Streets				
Urban renewal purposes				
Debt service				
Other purposes				
Unrestricted				
Total cash basis net assets				

See notes to financial statements.

Exhibit A

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$ (300,415)	\$ -	\$ (300,415)
(46,761)	-	(46,761)
(1,830)	-	(1,830)
(176,700)	-	(176,700)
(153,328)	-	(153,328)
(185,127)	-	(185,127)
(374,191)	-	(374,191)
(120,818)	-	(120,818)
(1,359,170)	-	(1,359,170)
-	400,140	400,140
-	150,461	150,461
-	(73,524)	(73,524)
-	(292,513)	(292,513)
-	184,564	184,564
(1,359,170)	184,564	(1,174,606)
796,865	-	796,865
163,874	-	163,874
24,250	46,364	70,614
430,000	1,010,000	1,440,000
12,562	308	12,870
104,561	-	104,561
27,948	(27,948)	-
1,560,060	1,028,724	2,588,784
200,890	1,213,288	1,414,178
(325,720)	2,026,972	1,701,252
\$ (124,830)	\$ 3,240,260	\$ 3,115,430
\$ 207,417	\$ -	\$ 207,417
9,955	-	9,955
29,036	605,062	634,098
-	-	-
(371,238)	2,635,198	2,263,960
\$ (124,830)	\$ 3,240,260	\$ 3,115,430

See notes to financial statements.

City of Sibley, Iowa
Statement of Cash Receipts, Disbursements and Changes in
Cash Balances - Governmental Funds - Cash Basis
As of and for the year ended June 30, 2007

	General	Road Use Tax	Urban Renewal Tax Increment
Receipts:			
Property tax	\$ 490,278	\$ -	\$ -
Tax increment financing collections	-	-	163,874
Licenses and permits	25,064	-	-
Use of money and property	24,250	-	-
Intergovernmental	21,404	233,032	-
Charges for service	112,989	-	-
Special assessments	24,152	-	-
Miscellaneous	11,343	-	-
Total Receipts	<u>709,480</u>	<u>233,032</u>	<u>163,874</u>
Disbursements:			
Operating:			
Public safety	300,415	-	-
Public works	108,132	199,384	-
Health and social services	1,830	-	-
Culture and recreation	268,833	-	-
Community and economic development	19,399	-	-
General government	145,030	-	-
Debt service	-	-	153,635
Capital projects	-	18,100	-
Total Disbursements	<u>843,639</u>	<u>217,484</u>	<u>153,635</u>
Excess of receipts over disbursements	<u>(134,159)</u>	<u>15,548</u>	<u>10,239</u>
Other financing sources (uses):			
Bond proceeds	-	-	-
Sale of capital assets	-	-	-
Operating transfers in	-	-	-
Operating transfers out	(34,765)	-	-
Total other financing sources (uses)	<u>(34,765)</u>	<u>-</u>	<u>-</u>
Net change in cash balances	(168,924)	15,548	10,239
Cash balances beginning of year	(1,318,785)	191,869	(284)
Cash balances end of year	<u>\$ (1,487,709)</u>	<u>\$ 207,417</u>	<u>\$ 9,955</u>
Cash Basis Fund Balances			
Reserved:			
Debt service	\$ -	\$ -	\$ -
Unreserved:			
General fund	(1,487,709)	-	-
Special revenue funds	-	207,417	9,955
Capital projects funds	-	-	-
Total cash basis fund balances	<u>\$ (1,487,709)</u>	<u>\$ 207,417</u>	<u>\$ 9,955</u>

See notes to financial statements.

Exhibit B

Debt Service	Other Nonmajor Governmental Funds	Total
\$ 208,517	\$ 98,070	\$ 796,865
-	-	163,874
-	-	25,064
300	25,172	49,722
-	-	254,436
-	67,279	180,268
-	4,159	28,311
-	1,219	12,562
<u>208,817</u>	<u>195,899</u>	<u>1,511,102</u>

-	-	300,415
-	588	308,104
-	-	1,830
-	42,260	311,093
-	133,929	153,328
-	79,681	224,711
220,856	-	374,491
-	193,677	211,777
<u>220,856</u>	<u>450,135</u>	<u>1,885,749</u>
<u>(12,039)</u>	<u>(254,236)</u>	<u>(374,647)</u>

10,698	419,302	430,000
-	104,561	104,561
-	62,713	62,713
-	-	(34,765)
<u>10,698</u>	<u>586,576</u>	<u>562,509</u>
<u>(1,341)</u>	<u>332,340</u>	<u>187,862</u>
<u>30,377</u>	<u>730,352</u>	<u>(366,471)</u>
<u>\$ 29,036</u>	<u>\$ 1,062,692</u>	<u>\$ (178,609)</u>

\$ 29,036	\$ -	\$ 29,036
-	-	(1,487,709)
-	72,233	289,605
-	990,459	990,459
<u>\$ 29,036</u>	<u>\$ 1,062,692</u>	<u>\$ (178,609)</u>

See notes to financial statements.

City of Sibley, Iowa

City of Sibley, Iowa
Reconciliation of the Statement of Cash Receipts, Disbursements and
Changes in Cash Balances to the Statement of Activities and
Net Assets - Governmental Funds - Cash Basis
As of and for the year ended June 30, 2007

Exhibit C

Total governmental funds cash balances (page 17) \$ (178,609)

Amounts reported for governmental activities in the
Statements of Net Assets are different because:

The Internal Service Fund is used by management to charge the costs of
partial self funding of the City's health insurance benefit plan to individual funds
The assets of the Internal Service Fund are included in governmental activities in
the Statement of Net Assets.

53,779

Cash basis net assets of governmental activities (page 15) \$ (124,830)

Net change in cash balances (page 17) \$ 187,862

Amounts reported for governmental activities in the
Statements of Net Assets are different because:

The Internal Service Fund is used by management to charge the costs of
employee health benefits to individual funds The change on net assets of the
Internal Service Fund is reported with governmental activities

13,028

Change in cash balance of governmental activities (page 15) \$ 200,890

See notes to financial statements.

City of Sibley, Iowa
Statement of Cash Receipts, Disbursements and Changes in
Cash Balances - Proprietary Funds - Cash Basis
As of and for the year ended June 30, 2007

	Enterprise Funds		
	Water		
	Including		
	Electric	Lewis & Clark	Golf
Operating receipts:			
Use of money and property	\$ 2,863	\$ 2,347	\$ -
Licenses and permits	-	1,050	-
Charge for service	2,399,205	562,619	161,119
Miscellaneous	-	308	-
Total operating receipts	<u>2,402,068</u>	<u>566,324</u>	<u>161,119</u>
Operating disbursements:			
Governmental activities:			
Community and economic development	-	-	-
General government	-	-	-
Capital projects	369	24,821	26,498
Business type activities	2,021,856	388,387	208,145
Total operating disbursements	<u>2,022,225</u>	<u>413,208</u>	<u>234,643</u>
Excess (deficiency) of operating receipts over (under)	<u>379,843</u>	<u>153,116</u>	<u>(73,524)</u>
Non-operating receipts (disbursements):			
General obligation bond proceeds	-	1,010,000	-
Debt service	-	-	-
Total non-operating receipts (disbursements)	<u>-</u>	<u>1,010,000</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursement	<u>379,843</u>	<u>1,163,116</u>	<u>(73,524)</u>
Operating transfers in	-	-	-
Operating transfers out	<u>(339,613)</u>	<u>(32,049)</u>	<u>-</u>
Net change in cash balances	40,230	1,131,067	(73,524)
Cash balances beginning of year	<u>263,922</u>	<u>64,576</u>	<u>(209,244)</u>
Cash balances end of year	<u>\$ 304,152</u>	<u>\$ 1,195,643</u>	<u>\$ (282,768)</u>
Cash Basis Fund Balances			
Reserved for debt service	\$ -	\$ -	\$ -
Unreserved	304,152	1,195,643	(282,768)
Total cash basis fund balances	<u>\$ 304,152</u>	<u>\$ 1,195,643</u>	<u>\$ (282,768)</u>

See notes to financial statements

Exhibit D

Enterprise Funds			Internal Service Funds		
Other Nonmajor Enterprises	Total		Employee Health	Payroll	Total
\$ 41,154	\$ 46,364		\$ -	\$ -	\$ -
15,270	16,320		-	-	-
451,594	3,574,537		199,162	889,475	1,088,637
-	308		-	-	-
508,018	3,637,529		199,162	889,475	1,088,637
7,170	7,170		-	-	-
-	-		163,703	888,747	1,052,450
916	52,604		-	-	-
470,107	3,088,495		-	-	-
478,193	3,148,269		163,703	888,747	1,052,450
29,825	489,260		35,459	728	36,187
-	1,010,000		-	-	-
(281,184)	(281,184)		-	-	-
(281,184)	728,816		-	-	-
(251,359)	1,218,076		35,459	728	36,187
380,844	380,844		-	-	-
(37,130)	(408,792)		-	-	-
92,355	1,190,128		35,459	728	36,187
1,835,273	1,954,527		111,144	2,052	113,196
\$ 1,927,628	\$ 3,144,655		\$ 146,603	\$ 2,780	\$ 149,383
\$ 605,062	\$ 605,062		\$ -	\$ -	\$ -
1,322,566	2,539,593		146,603	2,780	149,383
\$ 1,927,628	\$ 3,144,655		\$ 146,603	\$ 2,780	\$ 149,383

See notes to financial statements.

City of Sibley, Iowa
Reconciliation of the Statement of Cash Receipts, Disbursements and
Changes in Cash Balances to the Statement of Activities and
Net Assets - Proprietary Funds - Cash Basis
Year ended June 30, 2007

Exhibit E

Total enterprise funds cash balances (page 21) \$ 3,144,655

Amounts reported for business type activities in the Statement of
Activities and Net Assets are different because:

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. The assets of the Internal Service Fund are included in business type activities in the Statement of Net Assets

95,605

Cash basis net assets of business type activities (page 15)

\$ 3,240,260

Net change in cash balances (page 21)

\$ 1,190,128

Amounts reported for business type activities in the
Statements of Net Assets are different because:

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit to individual funds. The change on net assets of the Internal Service Fund is reported with business type activities.

23,160

Change in cash balance of business type activities (page 15)

\$ 1,213,288

See notes to financial statements.

City of Sibley, Iowa
Notes to Financial Statements
June 30, 2007

(1) Summary of Significant Accounting Policies

The City of Sibley is a political subdivision of the State of Iowa located in Osceola County. It was first incorporated in 1875 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides electric, garbage, water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Sibley has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Osceola County Assessor's Conference Board, Osceola County Emergency Management Commission, Osceola County Landfill Commission and Osceola County Public Safety Commission.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets - Cash Basis reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets - Cash basis presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

City of Sibley, Iowa
Notes to Financial Statements
June 30, 2007

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets – Cash Basis demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system and the Lewis and Clark Rural Water System project.

The Electric Fund accounts for the operation and maintenance of the City's electricity and generator substation system.

The Golf Course Fund accounts for the operation and maintenance of the City's golf course and clubhouse.

City of Sibley, Iowa
Notes to Financial Statements
June 30, 2007

The City also reports the following additional proprietary funds:

An Internal Service Fund is utilized to account for the processing of employee health and payroll of the City.

C. Measurement Focus and Basis of Accounting

The City of Sibley maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the community and economic development; general government; debt service; and capital projects functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's investments at June 30, 2007 are made up entirely of certificates of deposits held in depositories inside the State of Iowa. The carrying and fair value amount is \$2,590,000 with maturity dates varying from three to nine months.

City of Sibley, Iowa
Notes to Financial Statements
June 30, 2007

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be disbursed in the current budget or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds, revenue bonds and capital loan notes are as follows:

Year Ending June 30,	Revenue Bonds		Capital Loan Notes		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 231,000	\$ 123,666	\$ 366,717	\$ 72,065	\$ 597,717	\$ 195,731
2009	241,000	111,063	203,073	53,241	444,073	164,304
2010	261,000	97,823	185,000	44,410	446,000	142,233
2011	272,000	83,458	160,000	36,470	432,000	119,928
2012	287,000	68,208	165,000	29,780	452,000	97,988
2013 - 2017	542,000	208,680	530,000	56,280	1,072,000	264,960
2018 - 2022	352,000	135,495		-	352,000	135,495
2023-2027	402,000	54,575			402,000	54,575
Totals	\$ 2,588,000	\$ 882,966	\$ 1,609,790	\$ 292,247	\$ 4,197,790	\$ 1,175,213

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund.

The resolutions providing for the issuance of the electric revenue bonds include the following provisions.

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bondholders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly cash transfers shall be made to separate electric revenue bond sinking accounts within the Enterprise Funds for the purpose of making the bond principal and interest payments when due.
- (c) The bond requires a reserve in the electric revenue bond improvement fund of \$300,000 which the City has met.
- (d) Net revenues of the system for the preceding fiscal year need to be 1.25 times the average annual amount that will be required for both principal and interest. The required amount was \$321,650 which was met.

The resolutions providing for the issuance of the sewer revenue bonds include the following provisions.

- (a) Sewer use charges must be established to a level which produces and maintains net revenues at a level not less than 110% of principal and interest falling due in the same year. The required amount was \$22,217 which was not met.

City of Sibley, Iowa
Notes to Financial Statements
June 30, 2007

The resolutions providing for the issuance of the water revenue bonds include the following provisions:

- (a) Reserve fund requires deposits equal to 10% of the amount required to maintain a debt service fund.
- (b) Audit report issued by 180 days after fiscal year end.
- (c) Net revenues of the system for the preceding fiscal year need to be 1.25 times the average annual amount that will be required for both principal and interest. The required amount was \$97,733 which was not met.

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$43,902, \$43,188 and \$43,368, respectively, equal to the required contributions for each year.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave termination payments payable to employees at June 30, 2007, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 41,103
Sick leave	19,247
Totals	<u>\$ 60,350</u>

This liability has been computed based on rates of pay in effect at June 30, 2007.

(6) Anticipatory Warrants

Anticipatory warrants are warrants which are legally drawn on City funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are first presented for redemption. There were no unpaid anticipatory warrants at the end of the year.

City of Sibley, Iowa
Notes to Financial Statements
June 30, 2007

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

<u>Transfer to:</u>	<u>Transfer from:</u>	<u>Amount</u>
Transit Service	General	\$ 4,883
Civic Center	General	4,883
Sewer Relocation	Sewer	20,197
Electric Revenue Reserve	Electric	65,556
Electric Revenue Sinking	Electric	262,608
Water Revenue Sinking	Water	27,600
Capital Reserve	Electric	11,449
	Sewer	966
	Garbage	15,966
	Water	4,449
	General	
	Fire	15,000
	Street Department	10,000
		57,830
	Total	\$ 443,557

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(8) Related Party Transactions

The City had business transactions between the City and City officials totaling \$1,201 during the year ended June 30, 2007.

(9) Risk Management

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 556 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

City of Sibley, Iowa
Notes to Financial Statements
June 30, 2007

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2007 were \$90,233.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2007, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution, which the withdrawing member would have made for the one-year period following withdrawal.

(10) Deficit Fund Balance

The Capital Projects - Airport Apron Improvement has a deficit balance of \$24,301 at June 30, 2007. This occurred as disbursements have been made which will be reimbursed with a grant from the State of Iowa. The Capital Projects - Street Improvement project has a deficit balance of \$3,662 at June 30, 2007. This project has just started and the deficit will be eliminated as the project is completed. Also the Capital Projects - Industrial Site Fund has a deficit balance of \$6,106 at June 30, 2007. This deficit will be eliminated as buildings and sites are rented or sold.

The General Fund had a deficit balance of \$1,487,709 at June 30, 2007. The deficit balance occurred over several years while the golf course was being developed. The city is working towards eliminating this deficit over the next several years.

City of Sibley, Iowa
Notes to Financial Statements
June 30, 2007

The Enterprise Funds - Transit Service Fund, had a deficit balance of \$15,372 at June 30, 2007. This occurred as the City is starting the transit service and plans to have it self-sufficient in the future years.

The Enterprise Funds - Golf Course Fund had a deficit balance of \$282,768 at June 30, 2007. This is the fourth year that the golf course fund is operating as an enterprise fund. The City goal is to make the golf course self-sufficient in the future years.

(11) Contingency

The City has a self-insurance program in place for the medical insurance that it provides to its employees. Under the program, the employee pays a deductible of \$250 for family coverage and \$250 for single coverage. The insurance policies that the City maintains provide for a \$5,000 deductible for family coverage and \$2,500 single coverage. The City is therefore, liable for the difference in these deductible amounts for each employee. As of June 30, 2007, this total difference amounts to a potential liability to the City of \$78,000.

(12) Restatement of Beginning Fund Balances

The beginning of the year cash balances for the Other Nonmajor Enterprises was increased due to changing the classification of the Lewis & Clark Water Fund and change in the Electric Improvement Fund as follows:

Beginning cash balance reported in prior year audit report	\$1,802,216
Reclassification of Lewis & Clark Water Project	22,177
Restatement in Electric Improvement Fund to write off unamortized investment	10,880
Beginning cash balance reported this year	<u>\$1,835,233</u>

City of Sibley, Iowa
Required Supplementary Information

City of Sibley, Iowa
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds
Required Supplementary Information
Year ended June 30, 2007

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 796,865	\$ -
Tax increment financing collections	163,874	-
Other city tax	-	-
Licenses and permits	25,064	16,320
Use of money and property	49,722	46,364
Intergovernmental	254,436	-
Charges for service	180,268	3,574,537
Special assessments	28,311	-
Miscellaneous	12,562	308
Total receipts	<u>1,511,102</u>	<u>3,637,529</u>
Disbursements:		
Public safety	300,415	-
Public works	308,104	-
Health and social services	1,830	-
Culture and recreation	311,093	-
Community and economic development	153,328	7,170
General government	224,711	-
Debt service	374,491	-
Capital projects	211,777	52,604
Business type activities	-	3,369,679
Total disbursements	<u>1,885,749</u>	<u>3,429,453</u>
Excess of receipts over disbursements	(374,647)	208,076
Other financing sources, net	<u>562,509</u>	<u>982,052</u>
Excess of receipts and other financing sources over disbursements and other financing uses	187,862	1,190,128
Balances beginning of year	<u>(366,471)</u>	<u>1,954,527</u>
Balances end of year	<u>\$ (178,609)</u>	<u>\$ 3,144,655</u>

See accompanying independent auditor's report.

Less Funds not Required to be Budgeted		Total Actual	Budgeted Amounts		Final to Actual Variance
			Original	Final	
\$	-	\$ 796,865	\$ 799,275	\$ 799,275	\$ (2,410)
	-	163,874	165,690	165,690	(1,816)
	-	-	9,382	9,382	(9,382)
	-	41,384	22,600	22,600	18,784
	-	96,086	44,250	44,250	51,836
	-	254,436	261,690	261,690	(7,254)
	-	3,754,805	3,567,015	3,567,015	187,790
	-	28,311	2,901	2,901	25,410
	-	12,870	-	-	12,870
	-	5,148,631	4,872,803	4,872,803	275,828
	-	300,415	302,173	315,389	(14,974)
	-	308,104	358,248	361,193	(53,089)
	-	1,830	1,830	1,830	-
	-	311,093	305,996	314,750	(3,657)
	-	160,498	20,000	20,000	140,498
	-	224,711	184,527	184,527	40,184
	-	374,491	212,860	212,860	161,631
	-	264,381	-	-	264,381
	-	3,369,679	3,303,409	3,303,409	66,270
	-	5,315,202	4,689,043	4,713,958	601,244
	-	(166,571)	183,760	158,845	(325,416)
	-	1,544,561	-	-	1,544,561
	-	1,377,990	183,760	158,845	1,219,145
	-	1,588,056	1,699,512		1,588,056
\$	-	\$ 2,966,046	\$ 1,883,272	\$ 158,845	\$ 2,807,201

See accompanying independent auditor's report.

City of Sibley, Iowa
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2007

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$24,915. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the community and economic development; general government; capital projects, debt service and business type functions.

Other Supplementary Information

City of Sibley, Iowa
Statement of Cash Receipts, Disbursements and
Changes in Cash Balances - Governmental Funds - Nonmajor Governmental Funds
As of and for the year ended June 30, 2007

	Special Revenue Employee Benefit	Capital Project Reserve
Receipts:		
Property tax	\$ 98,070	\$ -
Use of money and property	1,492	7,477
Charges for service	-	47,279
Special assessments	-	-
Miscellaneous	-	-
Total Receipts	<u>99,562</u>	<u>54,756</u>
Disbursements:		
Operating:		
Public works	-	-
Culture and recreation	-	42,260
Community and economic development	-	3,359
General government	79,081	600
Capital projects	-	160,386
Total Disbursements	<u>79,081</u>	<u>206,605</u>
Excess of receipts over disbursements	<u>20,481</u>	<u>(151,849)</u>
Other financing sources (uses):		
Bond Proceeds		135,404
Sale of capital assets	-	-
Operating transfers in	-	57,830
Total other financing sources (uses)	<u>-</u>	<u>193,234</u>
Net change in cash balances	<u>20,481</u>	<u>41,385</u>
Cash balances beginning of year	<u>51,432</u>	<u>175,472</u>
Cash balances end of year	<u>\$ 71,913</u>	<u>\$ 216,857</u>
Cash Basis Fund Balances		
Unreserved:		
Special revenue funds	71,913	-
Capital projects fund	-	216,857
Total cash basis fund balances	<u>\$ 71,913</u>	<u>\$ 216,857</u>

See accompanying independent auditor's report.

Schedule 1

Nonmajor Special Revenue and Capital Projects	Other Nonmajor Governmental Funds Totals
\$ -	\$ 98,070
16,203	25,172
20,000	67,279
4,159	4,159
1,219	1,219
41,581	195,899
588	588
-	42,260
130,570	133,929
-	79,681
33,291	193,677
164,449	450,135
(122,868)	(254,236)
283,898	419,302
104,561	104,561
4,883	62,713
393,342	586,576
270,474	332,340
503,448	730,352
\$ 773,922	\$ 1,062,692
320	72,233
773,602	990,459
\$ 773,922	\$ 1,062,692

See accompanying independent auditor's report.

City of Sibley, Iowa
Schedule of Indebtedness
Year ended June 30, 2007

Obligation	Date of Issue	Interest Rate	Amount Originally Issued	Balance Beginning of Year
Capital Loan Notes:				
Street Projects - 2005 Series	09/28/05	3.45 to 4.35%	\$ 410,000	\$ 410,000
Fire Truck and Golf Course Equipment	11/01/97	4.4 to 5.15%	560,000	135,000
Urban Renewal Projects	01/01/97	6.4 to 7.3%	590,000	150,000
Swimming Pool and Water Tower	06/01/98	5.50%	300,000	160,000
1999 Street and Sewer Project	05/01/00	5.2 to 5.6%	160,000	100,000
Benjamin Franklin School Gym	01/18/01	4.90%	145,000	50,000
2003 Capital Improvements	01/01/03	2.1 to 4.4%	580,000	425,000
Fire Truck and Airport Hanger	10/15/06	3.8 to 4.25%	430,000	-
Golf Course Equipment	04/12/05	5.55%	85,000	65,438
Totals				<u>\$ 1,495,438</u>
Revenue bonds:				
2000 Electric Revenue	12/01/00	4.9 to 5.6%	\$ 2,300,000	\$ 1,510,000
2006 Sewer Revenue	02/01/06	3%	274,000	263,000
2007 Water Revenue	05/30/07	4.5 to 5.75%	1,010,000	-
Totals				<u>\$ 1,773,000</u>
Capital Leases:				
Elgin Street Sweeper	09/08/04	4.86%	\$ 87,500	<u>\$ 28,469</u>

See accompanying independent auditor's report.

Schedule 2

Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$ -	\$ 35,000	\$ 375,000	\$ 16,125	\$ 1,243
-	65,000	70,000	6,920	300
-	70,000	80,000	10,915	487
-	20,000	140,000	8,800	642
-	25,000	75,000	5,525	347
-	25,000	25,000	2,450	102
-	55,000	370,000	16,560	1,238
430,000	-	430,000	10,796	1,433
-	20,648	44,790	3,632	214
<u>\$ 430,000</u>	<u>\$ 315,648</u>	<u>\$ 1,609,790</u>	<u>\$ 81,723</u>	<u>\$ 6,006</u>
\$ -	\$ 185,000	\$ 1,325,000	\$ 77,211	\$ 5,610
-	10,000	253,000	7,890	633
1,010,000	-	1,010,000	-	4,016
<u>\$ 1,010,000</u>	<u>\$ 195,000</u>	<u>\$ 2,588,000</u>	<u>\$ 85,101</u>	<u>\$ 10,259</u>
\$ -	\$ 28,469	\$ -	\$ 2,092	\$ -

See accompanying independent auditor's report.

**City of Sibley, Iowa
Bond and Note Maturities
June 30, 2007**

Schedule 3

REVENUE BONDS						
Year Ending June 30	Electric Project Issued Dec. 1, 2000		Sewer Project Issued February 1, 2006		Water - Lewis & Clark Issued May 30, 2007	
	Interest Rates	Amounts	Interest Rates	Amounts	Interest Rates	Amounts
2008	5.30%	\$ 190,000	3.00%	\$ 11,000	5.75%	\$ 30,000
2009	5.35%	200,000	3.00%	11,000	5.75%	30,000
2010	5.40%	215,000	3.00%	11,000	5.75%	35,000
2011	5.50%	225,000	3.00%	12,000	5.75%	35,000
2012	5.55%	240,000	3.00%	12,000	5.75%	35,000
2013	5.60%	255,000	3.00%	13,000	4.50%	40,000
2014	-	-	3.00%	13,000	4.50%	40,000
2015	-	-	3.00%	13,000	4.50%	45,000
2016	-	-	3.00%	14,000	4.50%	45,000
2017	-	-	3.00%	14,000	4.50%	50,000
2018	-	-	3.00%	15,000	4.50%	50,000
2019	-	-	3.00%	15,000	4.50%	55,000
2020	-	-	3.00%	15,000	4.50%	55,000
2021	-	-	3.00%	16,000	4.50%	55,000
2022	-	-	3.00%	16,000	4.50%	60,000
2023	-	-	3.00%	17,000	4.55%	65,000
2024	-	-	3.00%	17,000	4.60%	65,000
2025	-	-	-	18,000	4.65%	70,000
2026	-	-	-	-	4.70%	75,000
2027	-	-	-	-	4.75%	75,000
TOTAL		<u>\$ 1,325,000</u>		<u>\$ 253,000</u>		<u>\$ 1,010,000</u>

CAPITAL LOAN NOTES						
Year Ending June 30	Street & Sewer Project Issued June 1, 1999		Fire Truck & Golf Course Issued November 1, 1997		Urban Renewal Projects Issued Nov. 1, 1997	
	Interest Rates	Amounts	Interest Rates	Amounts	Interest Rates	Amounts
2008	5.50%	\$ 25,000	5.15%	\$ 70,000	7.30%	\$ 80,000
2009	5.50%	25,000	-	-	-	-
2010	5.50%	25,000	-	-	-	-
TOTAL		<u>\$ 75,000</u>		<u>\$ 70,000</u>		<u>\$ 80,000</u>

See accompanying independent auditor's report.

City of Sibley, Iowa
Bond and Note Maturities
June 30, 2007

Schedule 3

CAPITAL LOAN NOTES

Year Ending June 30	Swimming Pool & Water Tower Issued June 1, 1998		Utility Improvements Issued January 1, 2003		Street Project Issued September 28, 2005	
	Interest Rates	Amounts	Interest Rates	Amounts	Interest Rates	Amounts
2008	5.50%	\$ 20,000	3.40%	\$ 55,000	3.55%	\$ 35,000
2009	5.50%	20,000	3.70%	60,000	3.65%	35,000
2010	5.50%	20,000	4.00%	60,000	3.75%	40,000
2011	5.50%	20,000	4.15%	60,000	3.85%	40,000
2012	5.50%	20,000	4.30%	65,000	3.95%	40,000
2013	5.50%	20,000	4.40%	70,000	4.05%	45,000
2014	5.50%	20,000	-	-	4.15%	45,000
2015	-	-	-	-	4.25%	45,000
2016	-	-	-	-	4.35%	50,000
TOTAL		<u>\$ 140,000</u>		<u>\$ 370,000</u>		<u>\$ 375,000</u>

CAPITAL LOAN NOTES

Year Ending June 30	Franklin School Gym Issued Jan. 18, 2001		Fire Truck & Airport Hanger Issued October 15, 2006		Golf Course Equipment Issued April 12, 2005	
	Interest Rates	Amounts	Interest Rates	Amounts	Interest Rates	Amounts
2008	4.90%	\$ 25,000	3.80%	\$ 35,000	5.55%	\$ 21,717
2009	-	-	3.80%	40,000	5.55%	23,073
2010	-	-	3.85%	40,000	-	-
2011	-	-	3.90%	40,000	-	-
2012	-	-	3.95%	40,000	-	-
2013	-	-	4.00%	45,000	-	-
2014	-	-	4.05%	45,000	-	-
2015	-	-	4.10%	45,000	-	-
2016	-	-	4.15%	50,000	-	-
2017	-	-	4.25%	50,000	-	-
TOTAL		<u>\$ 25,000</u>		<u>\$ 430,000</u>		<u>\$ 44,790</u>

See accompanying independent auditor's report.

City of Sibley, Iowa
Schedule of Receipts by Source and Disbursements
By Function - All Governmental Funds
For the Last Four Years

Schedule 4

	2007	2006	2005	2004
Receipts:				
Property tax	\$ 796,865	\$ 762,082	\$ 748,678	\$ 791,530
Tax increment financing collections	163,874	161,601	198,285	139,212
Other city tax	-	-	3,327	15,379
Licenses and permits	25,064	25,118	20,720	22,965
Use of money and property	49,722	31,222	16,570	18,148
Intergovernmental	254,436	377,113	252,974	253,370
Charges for service	180,268	160,167	186,258	173,172
Special assessments	28,311	13,197	28,046	23,005
Grant proceeds	-	-	506,505	619,377
Bond proceeds	430,000	660,476	-	-
Miscellaneous	12,562	28,533	9,428	110,226
Total	<u>\$ 1,941,102</u>	<u>\$ 2,219,509</u>	<u>\$ 1,970,791</u>	<u>\$ 2,166,384</u>
Disbursements:				
Operating:				
Public safety	\$ 300,415	\$ 266,814	\$ 271,709	\$ 315,545
Public works	308,104	735,142	470,917	295,345
Health and social services	1,830	1,830	1,830	1,830
Culture and recreation	311,093	340,855	291,365	297,228
Community and economic development	153,328	63,187	327,432	6,104
General government	224,711	225,712	275,337	694,879
Debt service	374,491	363,834	482,075	491,450
Capital projects	211,777	450,720	572,264	361,990
Total	<u>\$ 1,885,749</u>	<u>\$ 2,448,094</u>	<u>\$ 2,692,929</u>	<u>\$ 2,464,371</u>

See accompanying independent auditor's report.

City of Sibley, Iowa

Paul T. East, CPA
Paul W. Vander Woude, CPA
Rose M. Grant, CPA, MST

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards

To the Honorable Mayor and
Members of the City Council
Sibley, Iowa:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Sibley, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated October 26, 2007. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Sibley's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of City of Sibley's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Sibley's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects City of Sibley's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of City of Sibley's financial statements that is more than inconsequential will not be prevented or detected by City of Sibley's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by City of Sibley's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items I-A-07 and I-B-07 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Sibley's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an object of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of non-compliance that are required to be reported under Government Auditing Standards and which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit is based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Sibley's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit City of Sibley's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended for the information and use of the officials, employees and citizens City of Sibley and other parties to whom the City of Sibley may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by the personnel of the City of Sibley during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

East, Vander Woude, Grant & Co, P.C.

East, Vander Woude, Grant & Co., P.C.

October 26, 2007

City of Sibley, Iowa
Schedule of Findings
Year ended June 30, 2007

Part I: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

I-A-07 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The posting of the cash receipts to the cash receipts' journal, reconciliation of the monthly bank statement, and reconciliation of certificates of deposit amounts are all done by the same person.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will consider this.

Conclusion – Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

I-B-07 Staff expertise – The staff responsible for the accounting and reporting function lack the skills and knowledge to apply generally accepted accounting principles (GAAP) in preparing the financial statements. This is not unusual in an organization of your size.

Recommendation - We recommend that the staff responsible for the accounting and reporting function develop better skills and acquire more knowledge. A compensating control would be to hire another CPA firm to prepare an adjusted trial balance and prepare the financial statements.

Response - We will consider this.

Conclusion - Response acknowledged.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Sibley, Iowa
Schedule of Findings
Year ended June 30, 2007

Part II: Other Findings Related to Statutory Reporting:

II-A-07 Certified Budget – Disbursements during the year ended June 30, 2007 exceeded the amounts budgeted in the community and economic development, general government, debt service, capital projects and business-type activities functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be disbursed except under an annual or continuing appropriation.

Recommendation – The budget should be amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements are allowed to exceed the approved budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

II-B-07 Questionable Disbursements – No disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-C-07 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-07 Business Transactions – Business transactions between City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Mike Schulte, Council Member, owner of SS Mobile Glass	Repairs vehicle windows	\$1,200.72

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the Council Member do not appear to represent conflicts of interest since total transactions with the individual were less than \$1,500 during the fiscal year.

II-E-07 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-07 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

II-G-07 Deposits and Investments – No instances of non-compliance with the deposits and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the City's investment policy were noted.

City of Sibley, Iowa
Schedule of Findings
Year ended June 30, 2007

Part II: Other Findings Related to Statutory Reporting, con't.:

- II-H-07 Economic Development – The City paid \$38,000 to the Osceola County Economic Development Committee which may not be an appropriate disbursement of public funds.

In accordance with Chapter 15A of the Code of Iowa and an Attorney General's opinion dated August 28, 1986, government financing of economic development may, in appropriate circumstances, serve a public purpose. The opinion advises the governing body to evaluate the public benefits to be obtained and discusses specific criteria to be considered in documenting the public purpose.

Recommendation – The Council should evaluate and document the public purpose served by the disbursements before authorizing further payments and should require the Development Committee to provide documentation of how the funds were used to accomplish economic development activities.

Response – We will do this.

Conclusion – Response accepted.

- II-I-07 Financial Condition – The following funds had deficit balances at June 30, 2007: The Capital Projects - Airport Apron Improvement Fund of \$24,301; Capital Projects - Street Improvement Fund of \$3,662; Capital Projects - Industrial Site Funds of \$6,106; General Fund of \$1,487,709; Enterprise Funds - Transit Service Fund of \$15,372; and Enterprise Funds - Golf Course Fund of \$282,768.

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.

Response – The deficits are due to various reasons and the City is taking measures to eliminate the deficits in the funds.

Conclusion – Response accepted.

- II-J-07 Revenue Bonds and Notes – The City has complied with the Electric Revenue Bond resolutions. The City has not complied with all of the Sewer Revenue Bond resolutions. The City's net revenues for the Sewer Fund must be at a level which produces and maintains a level not less than 110% of principal and interest falling due in the same year. Net revenues were \$68,062 less than required. Also the City has not complied with all of the Water Revenue Capital Loan Note resolutions. The City's revenues for the Lewis & Clark Fund must be at a level which produces and maintains a level not less than 125% of principal and interest falling due in the same year. Net revenues were \$56,199 less than required.

Recommendation – The City should consider options to maintain the required levels of funds in order to comply with the Sewer Revenue Bond resolutions and Water Fund – Lewis & Clark Capital Loan Note resolutions.

Response – The City is assessing the requirements and the City is taking measures to eliminate the noncompliance of the Bond and Capital Loan Note resolutions with increases in fees.

Conclusion – Response accepted.